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REGIONAL BUSINESS INITIATIVE

Expanding Trade and Economic Cooperation among Jordan, Iraq and the West Bank

METAC Workshop 2 Report:

Budget Preparation Process
Beirut, Lebanon, March 12-14, 2012

March 2012

This publication was produced for review by the United States Agency for International Development. It was prepared by SEGURA Partners LLC under the SEGIR Global Business, Trade and Investment II Indefinite Quantity Contract (IQC), Number EEM-I-00-07-00001-00 Task Order # 06

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DISCLAIMER

The views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

Table of Contents

| | |
|---|----------|
| EVENT SUMMARY | 1 |
| Introduction..... | 1 |
| Background: Seminar Topic and Objective | 1 |
| Participants..... | 2 |
| Proceedings | 2 |
| Results | 2 |
| ANNEXES | 4 |
| Annex 1: Agenda | 4 |
| Annex 2: List of Participants | 5 |
| Annex 3: Evaluation Results..... | 8 |
| Annex 4: Regional Business Initiative PMP Indicators for METAC Workshop 2 | 9 |

EVENT SUMMARY

Introduction

In October 2010, USAID launched the **Regional Business Initiative** (the “Project”), a one-year program consisting of a series of events held through September 2011, meant to gather businesses and government officials from Jordan, Iraq and the West Bank to discuss potential exchanges, and to help solve main obstacles to trade and joint business activities. The program is funded by USAID’s Office of Middle East Programs and implemented by SEGURA Partners LLC.

Through a series of regional events (workshops and business exchanges), the project aims to bring together stakeholders from Jordan, the West Bank and Iraq to develop specific action plans to address constraints to increased regional trade, which can subsequently be used by USAID/Jordan, USAID/West Bank and Gaza and USAID/Iraq in their bilateral programming.

In September 2011, the contract governing the Project was amended to be extended until September 2012, and to incorporate additional activities including workshops to be held in collaboration with the Middle East Regional Technical Assistance Center (METAC), on public financial management matters.

The first of those workshops was held on January 29-31, 2012, at the Dead Sea, in Jordan, and focused on Tax Compliance Management. This report summarizes the second workshop, which took place on March 12-14, 2012, in Beirut, Lebanon, on the subject of Budget Preparation Process.

Background: Seminar Topic and Objective

Budget credibility remains an issue. Recent years have seen significant shortfalls against estimated budget revenues, necessitating a tightening of cash rationing. Overestimation of expenditures seriously undermines the credibility of the budget and particularly affects the level of capital spending. The objective of this seminar was to provide senior managers and budget officers in ministries of finance with a detailed understanding of how to prepare annual budgets in the context of their government’s medium term fiscal policies and financial constraints.

The Beirut workshop focused on budget credibility in general, addressing key constraints of having realistic revenue forecasting assumptions, realism in the estimation of expenditures, and techniques that can be used to overcome these difficulties. It covered the role of economic and fiscal forecasting in macroeconomic management, including financial programming methods, and participants drew up possible action plans for their respective countries to improve budget credibility.

Participants

Eight countries belonging to METAC participated by sending representatives from their respective Ministries of Finance: Afghanistan, Egypt, Iraq, Jordan, Lebanon (host country), Sudan, the West Bank, and Yemen.

Two guest countries from the region attended (at their own cost): Oman and Saudi Arabia. Morocco also sent two representatives, in response to a request from USAID/Morocco that Moroccan officials be invited to the workshop.

USAID was represented by Matta George, Senior Financial Specialist, USAID/Egypt.

A complete list of attendees is attached in Annex 2.

Proceedings

The workshop was led by a subject matter expert from METAC, Mr. Jacques Charaoui, and by IMF expert Mr. Richard Allen. Country specific presentations were made by representatives from Lebanon and Jordan. Each session was followed by questions and answers that allowed participants to give their feedback and ask for clarifications.

Mr. Charaoui summarized the events proceedings as follows:

“The global economic and financial crisis and the impact of fundamental transformation on the economic and financial situation of countries in the region have stretched public finance more than ever before, and oil and non-oil economies are now facing important, if not critical challenges. Most countries are now seeking to develop and implement measures and policies which will improve public sector efficiency and effectiveness. This workshop served as a platform for sharing countries’ experience towards improving public sector efficiency and effectiveness, and for discussion of potential alternatives to overcome the obstacles of this new environment. The dynamic discussions and debates that characterized the sessions proved that this event was a great opportunity to share experiences, good practices and challenges in preparing credible budget taking into account these new constraints and obstacles.”

The agenda is included in Annex 1.

Results

The questionnaire distributed by METAC indicates that this workshop was successful in the eyes of the participants. For instance, the question of whether the workshop improved the participants’ understanding of the topic received an average rating of 4.3 out of 5, while whether the knowledge gained has value added for work on the topic received an average of 3.9. The overall satisfaction was rated at 4.4.

The results to the questionnaire are included in Annex 3.

The indicators to the Regional Business Initiative PMP are included in Annex 4.

ANNEXES

Annex 1: Agenda

Workshop on Budget Preparation Process – Beirut, Lebanon March 12-14, 2012

| Sessions | Day 1 – Monday March 12 | Sessions | Day 2 – Tuesday March 13 | Sessions | Day 3 – Wednesday March 14 |
|----------------------|--|----------------------|--|----------------------|--|
| 09:00 – 10:30 | Welcome Saade Chami (METAC) Alain Bifani (Director General of Finances – MoF Lebanon) Introduction <i>Aims of workshop, program outline, participant suggestions/priorities & group photo – Jacques Charaoui (METAC)</i> | 09:00 – 10:30 | Overview 2– Richard Allen (IMF): Developing basic tools of budgeting | 09:00 – 10:30 | Overview 3– Richard Allen (IMF): Developing a programmatic and performance-related budget structure – key prerequisites and challenges |
| 10:30 – 11:00 | <i>Coffee Break</i> | 10:30 – 11:00 | <i>Coffee Break</i> | 10:30 – 11:00 | <i>Coffee Break</i> |
| 11:00 – 12:15 | Overview 1 – Richard Allen (IMF): Overview of the budget preparation process – key issues in preparing a credible budget | 11:00 – 12:15 | Action plans for individual countries to improve budget credibility – Jacques Charaoui (METAC) | 11:00 – 12:00 | Dr. Khaled Amin – Guest Speaker (USAID) Budget preparation challenges in Egypt after the revolution |
| 12:15 – 13:30 | <i>Lunch Break</i> | 12:15 – 13:30 | <i>Lunch Break</i> | 12:00 – 13:15 | <i>Lunch Break</i> |
| 13:30 – 14:00 | Countries Experience: Lebanon | 13:30 – 14:00 | Countries Experience: West Bank and Gaza and Jordan | 13:15 – 15:00 | Open Forum Wrap-Up Participants’ comments, workshop evaluation |
| | | 14:45 – 15:00 | <i>Coffee Break</i> | | |
| 14:00 – 15:30 | FMIS: WB Experience – Guest speaker: Cem Dener (WB) – VC session How FMIS projects performed according to various criteria? What are the key factors that contribute to the success and failure | 15:00 – 17:00 | MTEF: WB World Bank study of lessons of implementing MTEFs around the world - Guest Speaker: Jim Brumby (WB)- VC session Distinctions between "MTEF" - fiscal frameworks (MTFFs), budget frameworks (MTBFs) and performance frameworks linked to program/performance budgets (MTPFs) | | |

Annex 2: List of Participants

| | Country | Name | Title | Department | Institution |
|----|-------------|---|--|---|---|
| 1 | Afghanistan | Mr. Abdul Basir Abbasi | Senior Fiscal Policy Analyst | Fiscal Policy Unit | Ministry of Finance |
| 2 | Afghanistan | Mr. Sayed Naseer Ahmad | Budget Policy and Reporting Specialist | General Budget Directorate/Finance | Ministry of Finance |
| 3 | Egypt | Mr. Nagy Abdel Fattah Elashkar | Under Secretary | Minister's Office Sector | Ministry of Finance |
| 4 | Egypt | Mr. Ahmed Mohamed Ahmed Abdalla | Director General | Budget Department | Ministry of Finance |
| 5 | Egypt | Mr. Khaled Zakaria Mohamed Amin Abou El-Zahab | Visiting Associate Professor | School of Globalization and Public Affairs | American University in Cairo (AUC) |
| 6 | EU | Mr. Francisco Lopez-Menchero | Attaché | Economic Development Cooperation Section | Delegation of the European Union to Lebanon |
| 7 | Iraq | Ms. Taif Sami Mohammed Al-Shakarchi | Director General | Budget Directorate/Budget Department | Ministry of Finance |
| 8 | Iraq | Ms. Afaf Muneer Abdulrazzaq | Director | Budget Directorate/Revenues Department | Ministry of Finance |
| 9 | Jordan | Mr. Nassir Essa Mohammad Ibraheem | Director | Directorate of Industrial Development & Investment Environment Enhancement Sector General Budget Department | Ministry of Finance |
| 10 | Jordan | Ms. Asema Michael Salem Doughan | Director | Public Treasury Directorate | Ministry of Finance |
| 11 | Lebanon | Mr. Alain Bifani | Director General | | Ministry of Finance |
| 12 | Lebanon | Ms. Carole Abi Khalil | Acting Budget Director | | Ministry of Finance |
| 13 | Lebanon | Ms. Lara Khalil Batlouni | Senior Economic Officer/Economic Unit | Office of the Minister/UNDP Project | Ministry of Finance |
| 14 | Lebanon | Mr. Kevork Hagop Baboyan | Senior Economic Officer/Economic Unit | Office of the Minister/UNDP Project | Ministry of Finance |
| 15 | Lebanon | Ms. Tamam Georges Samia | Accountant | Budget Department | Ministry of Finance |
| 16 | Lebanon | Ms. Mirine Melhem Jabbour | Accountant | Budget Department | Ministry of Finance |
| 17 | Lebanon | Ms. Kawthar Dara | Project Manager | Emergency Fiscal Reform Management Implementation Support (EFMIS) | Ministry of Finance |

| | Country | Name | Title | Department | Institution |
|----|---------------|--|--|---|--|
| 18 | Oman | Ms. Hamida Hamed Al Hashmi | Budget Analyst Budget of Service, Power and House | Directorate of General Budget | Ministry of Finance |
| 19 | Oman | Mr. Mohamed Ahmed Sulaiman | Budget Researcher | Budget & Contracts Department | Ministry of Finance |
| 20 | Oman | Mr. Aiman Mohamed Said Masan | Budget Analyst Budget of Education and Health | Budget & Contracts Department | Ministry of Finance |
| 21 | Morocco | Mr. Faiçal Akkor | Inspector Division Chief | Bilateral Financing Service Budget Department | Ministry of Economy and Finance |
| 22 | Morocco | Mr. Youssef Farhat | Deputy Director | Financing Service Budget Department | Ministry of Economy and Finance |
| 23 | Saudi Arabia | Mr. Mohammed Saleh Al-Daham | Deputy Minister | Budget & Organization Affairs Budget Department | Ministry of Finance |
| 24 | Saudi Arabia | Mr. Saleh Abdullah Aldebasi | Assistant Deputy Minister | Budget Department | Ministry of Finance |
| 25 | Saudi Arabia | Mr. Abdullah Al-Shahrani | Director General | Finance and Management Department | Department of Zakat and Income Tax |
| 26 | Saudi Arabia | Mr. Abdalkhaliq Al-Ghamdi | Manager | Finance Division Revenue and Accounting Department | Department of Zakat and Income Tax |
| 27 | Sudan | Mr. Elsham Abdalla Abdalla ElFaki | General Director | Budget Department | Ministry of Finance and National Economy |
| 28 | Sudan | Mr. Awatif Abdelrahim Mohamed Osman | Deputy General Director | Financial & Budget Department | Ministry of Finance and National Economy |
| 29 | West Bank | Mr. Qadri Faleh Mohamed Bsharat | Manager | Infrastructure Sector Budget Directorate | Ministry of Finance |
| 30 | West Bank | Mr. Farid Ahmad Abdul Ghannam | Director General | General Budget | Ministry of Finance |
| 31 | Yemen | Mr. Mohammed Hasan Mohamed Al-Sharafi | Vice-General Director of State Budget | Budget Sector General Budget Department | Ministry of Finance |
| 32 | Yemen | Mr. Shukri Mohammed Abdelmughni Al-Ashaari | Senior Researcher | Budget Sector Technical Department | Ministry of Finance |
| 33 | U.S. Treasury | Ms. Celeste Kubasta | Public Financial Management Advisor | Budget and Financial Accountability Office | U.S. Treasury – Ministry of Finance/Lebanon |
| 34 | USAID Egypt | Mr. Matta George Matta Boctor | Senior Financial Specialist | Financial Management Division/Non-Project Assistance Department | U.S. Agency for International Development in Egypt |

| | Country | Name | Title | Department | Institution |
|----|------------|---------------------------------|--|---|---|
| 35 | IMF/METAC | Mr. Saade Chami | Coordinator | | Middle East Regional Technical Assistance Center |
| 36 | IMF/METAC | Mr. Richard Ian Gordon Allen | Public Financial Management Advisor | Fiscal Affairs Department | International Monetary Fund |
| 37 | IMF/METAC | Mr. Jacques Charaoui | Public Financial Management Advisor | | Middle East Regional Technical Assistance Center |
| 38 | World Bank | Mr. James A. Brumby | Sector Manager | Public Sector Governance Department | World Bank |
| 39 | World Bank | Mr. Cem Dener | Senior Public Sector Management Specialist | | World Bank |

Annex 3: Evaluation Results

| METAC Workshop on Budget Preparation Process Beirut, Lebanon - March 12-14, 2012 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|---------|
| Participants' Evaluation Scores | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | P-1 | P-2 | P-3 | P-4 | P-5 | P-6 | P-7 | P-8 | P-9 | P-10 | P-11 | P-12 | P-13 | P-14 | P-15 | P-16 | P-17 | P-18 | P-19 | P-20 | P-21 | P-22 | P-23 | P-24 | P-25 | P-26 | Average |
| I. The Workshop | | | | | | | | | | | | | | | | | | | | | | | | | | | 4.2 |
| A. Content | | | | | | | | | | | | | | | | | | | | | | | | | | | 4.3 |
| Presentations provided adequate information | 4 | 5 | 4 | 4 | 4 | 4 | 5 | 4 | 5 | 4 | 5 | 4 | 5 | 5 | 5 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 3 | 3 | 4 | 4 | 4.2 |
| Workshop improved your understanding of Comp. Mgt | 4 | 4 | 3 | 5 | 5 | 5 | 5 | 4 | 5 | 5 | 5 | 4 | 4 | 5 | 5 | 4 | 4 | 4 | 5 | 4 | 5 | 4 | 3 | 3 | 4 | 4 | 4.3 |
| B. Presentational Method | | | | | | | | | | | | | | | | | | | | | | | | | | | 4.3 |
| Lecturers effective in delivering presentations | 5 | 3 | 4 | 4 | 5 | 3 | 5 | 5 | 5 | 4 | 5 | 4 | 5 | 5 | 5 | 4 | 4 | 5 | 3 | 4 | 4 | 3 | 4 | 3 | 5 | 4 | 4.2 |
| Enough time for discussion and participation | 5 | 4 | 4 | 4 | 5 | 4 | 5 | 4 | 5 | 5 | 5 | 4 | 4 | 5 | 5 | 5 | 5 | 5 | 4 | 5 | 3 | 3 | 4 | 4 | 5 | 5 | 4.5 |
| C. Value | | | | | | | | | | | | | | | | | | | | | | | | | | | 4.0 |
| Knowledge gained has value added for work on Comp. Mgt | 3 | | 3 | 3 | 4 | 3 | 5 | 3 | 5 | 5 | 4 | 4 | 5 | 5 | 5 | | 4 | 4 | 2 | 4 | 4 | 3 | 3 | 4 | 4 | 4 | 3.9 |
| Overall satisfaction | 4 | 4 | 4 | 4 | 5 | 4 | 5 | 4 | 5 | 4 | 5 | 4 | 4 | 5 | 5 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 3 | 4 | 3 | 4 | 4.2 |
| II. The Administrative Arrangements | | | | | | | | | | | | | | | | | | | | | | | | | | | 4.6 |
| Conference Room | 5 | 4 | 5 | 5 | 5 | 5 | 5 | 4 | 5 | 4 | 5 | 5 | 4 | 5 | 5 | 5 | 5 | | 4 | 4 | 4 | 4 | 2 | 5 | 5 | 5 | 4.6 |
| Lunch Break | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 4 | 4 | 5 | 5 | 5 | 5 | 5 | 4 | 5 | 4 | 5 | 5 | 4 | 5 | 4 | 4.8 |
| Coffee Break | 5 | 5 | 5 | 5 | 5 | 4 | 5 | 5 | 5 | 5 | 5 | 4 | 4 | 5 | 5 | 5 | 5 | 5 | 4 | 5 | 3 | 4 | 5 | 5 | 5 | 3 | 4.7 |
| Hotel Accommodation | 4 | 3 | 3 | 3 | 5 | 4 | 5 | 5 | 5 | 4 | | | | 5 | 5 | 4 | 5 | 3 | 5 | 4 | 5 | 5 | 5 | 5 | 5 | 4 | 4.4 |
| Travel Arrangements | 4 | 5 | 4 | 3 | | 4 | 5 | 5 | 5 | 5 | | | | 5 | 5 | 4 | 5 | | 4 | 4 | 5 | 4 | | 5 | 4 | 3 | 4.4 |
| Pre-Workshop communications | 5 | 5 | 5 | 3 | 5 | 4 | 5 | 5 | 5 | 5 | 5 | 4 | | 5 | 5 | 5 | 5 | 5 | 4 | 5 | 5 | 4 | 5 | 5 | 5 | 4 | 4.7 |

Overall Average: 4.4

| Main Comments | | |
|---|---|--|
| Strengths | Weaknesses | Other |
| <p>Very practical workshop presenting current issues related to budget preparation.</p> <p>Very good workshop including principles and good practices to work on performance budgeting.</p> <p>Good interaction from participating countries with enough time for discussions.</p> <p>Good Topic, lecturers and organization.</p> <p>Excellent presentations delivered by Richard Allen with well written presentations.</p> <p>Excellent country presentation delivered by Dr. Khaled Amin.</p> <p>Good balance between slides and oral interventions by lecturers.</p> <p>Diverse speakers.</p> <p>Interesting country experiences on budget preparation.</p> <p>Good interpretation.</p> | <p>The workshop covers only theories, more emphasis on details would be needed.</p> <p>Need real examples on budget preparation and MTEF from developed countries and real case studies on how to move from traditional budgeting to program based budgeting including related set of actions and procedures, and how to practically develop a bottom-up MTEF.</p> <p>Very long presentations through VC with no interactions. This would need to be improved. (FMIS presentations slightly technical and hard to follow for non-experts)</p> <p>Need more focus on performance based budgeting and examples of countries who applied it.</p> <p>Would need more focus on the macro-economic framework for preparing a budget.</p> <p>Would need to have all handouts translated to Arabic.</p> <p>Would need more than 3 days.</p> | <p>Round tables setup would be probably better for more interaction and communication .</p> <p>Additional topic to be added: GFSM 2001 + Unified budget system law</p> <p>It would be interesting to compare budget data from participating countries.</p> <p>Coffee break could be in a larger space.</p> <p>Hotel pickup from airport.</p> |

Annex 4: Regional Business Initiative PMP Indicators for METAC Workshop 2

| Indicator | | Unit of Measure | METAC Workshop 2 | | To Date (Events 1 and 2, METAC Workshop 1 and 2) | | Total Life-of Project |
|-------------------------|--|------------------------------|------------------|---|--|-------------------|-----------------------|
| | | | Target | Actual | Target | Actual | Target |
| Events Execution | | | | | | | |
| 1 | Number of USG supported events held | Number of events | 1 | 1 | 4 | 4 | 9 |
| 2 | Number of positive evaluations of events / Average grade of the event (METAC) out of 100 | % of total evaluations | 80% | 88% | 80% | 82% | 80% |
| 3 | Funds leveraged by the Local Partner (AMCHAM/Jordan, METAC) | % of total event cost | 50% | 38% | 30% | 28% | 30% |
| Events Participation | | | | | | | |
| 4 | Number of participants (disaggregated by sex, and by private sector/government) | Number of participants | 40 | 39 (29m/10f 31 gov./8 donor-non gov.) | 230 | 211 (169m/42f) | 470 |
| 5 | Number or ministries and government agencies involved | Number of institutions | 10 | 12 | 26 | 29 | 68* |
| 6 | Number of sectors/subsectors involved in the events | Number of sectors/subsectors | N/A | N/A | 10 | 10 | 25* |
| 7 | Number of companies participating in the events | Number of companies | N/A | N/A | 55 | 92 | 75 |
| 8 | Number of visits to the Web Portal | Number of visits | N/A | N/A | 250 | 908 | 450 |
| 9 | Number of B2B sessions | Number of B2B sessions | N/A | N/A | 140 | 177 | 180 |
| Main Outcomes of Events | | | | | | | |
| 10 | Number of transactions identified or in progress as a result of the events | Number of transactions | N/A | N/A | 15 | 14 | 20 |
| 13 | Number of actionable programming recommendations for bilateral Missions | Number of recommendations | N/A | N/A | 9 | 20 | 18 |

* The same sector/government agency can be counted twice at different events.